

## Physician services: assessing payment adequacy and updating payments

**ISSUE:** In the March 2004 report, MedPAC will address three issues concerning Medicare's payments for physician services: Are current payments adequate? How are costs expected to change in 2005? What is an appropriate payment update for 2005?

**KEY POINTS:** The available information presents a generally positive, but mixed picture on payment adequacy:

- *Beneficiary access:* Survey data from 2002 and 2003 indicate that on a national level, beneficiaries have good access to physicians, but a small share of beneficiaries report that they experience difficulties.
- *Physician supply:* The number of physicians practicing in the U.S. has increased faster than both the general population and the Medicare population. Survey data suggest that most physicians are willing to accept new Medicare beneficiaries, but some do not.
- *Comparison to private payers:* Preliminary results from research sponsored by MedPAC show that the difference between Medicare and private sector payment rates widened slightly in 2002.
- *Volume:* The volume of physician services has grown steadily since 1999. A few specific services have experienced decreases in volume, but there is no evidence that the decreases are due to inadequate payments.

**ACTION:** At this meeting, the Commission will discuss whether the current level of payments is adequate and what the appropriate update should be.

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